SD11
.A4595

# CONCEPTS FOR CHANGE

## REPORT TO THE CHIEF • PROGRAM DEVELOPMENT & BUDGETING REVIEW TEAM

*June 18, 1990*

- INCREASED REGIONAL FORESTER INVOLVEMENT IN DECISIONS
- FOREST PLAN BASED BUDGET PROPOSALS
- REDUCED LEVEL OF BUDGET DETAIL
- OPPORTUNITY FOR CHANGES IN BUDGET INFORMATION
- CONSISTENCY IN FOREST PLAN COST DATA
- DROP SUPPORT COST CONCEPT

# REPORT TO THE CHIEF

# NATIONAL PROGRAM DEVELOPMENT AND BUDGETING

# REVIEW TEAM

# JUNE 18, 1990

| TEAM MEMBERS | REGION |
|---|---|
| Chris Risbrudt | 1 |
| Glen Hetzel | 2 |
| Tom Thompson | 2 |
| Forrest Carpenter | 3 |
| Clair Beasley | 4 |
| David Jay | 5 |
| Dick Ferraro | 6 |
| Marv Meier | 8 |
| Jim Jordan (Chair) | 9 |
| Lynn Sprague | 10 |

**CHIEF'S OFFICE CONTACTS**

| | |
|---|---|
| Larry Gadt | NFS |
| John Skinner | PD&B |
| Denny Schweitzer | LMP |

**STAFF SUPPORT AND FACILITATOR**

| | |
|---|---|
| George Lundy | R9 |

# TABLE OF CONTENTS


| | PAGE |
|---|---|
| INTRODUCTION | 1 |
| CONCEPTS FOR CHANGE | 2 |
| PROBLEM STATEMENTS AND RECOMMENDATIONS | 3 |
| SUMMARY OF RECOMMENDATIONS | 12 |


## APPENDICES


| | | |
|---|---|---|
| A - | WORK GROUP ASSIGNMENTS | 14 |
| B - | WORK GROUP EXECUTIVE SUMMARIES | 15 |
| C - | CHARTER LETTER | 26 |
| D - | TEN STEP BUDGET PROCESS | 28 |

# *INTRODUCTION*

In July 1989, you directed that a team composed of Deputy Regional Foresters from each Region conduct an in-depth review of program development and budgeting processes used for National Forest System programs. We were specifically directed to review:

(1) the Regional financial schedules for fully funding the Land and Resource Management Plans or anticipated Plans with the objective of "leveling" or gaining better equity among Regions for financial schedules covering the period 1990 to 2000.

(2) the program development processes (both procedural and managerial) with the objective of improving our ability to develop cost-effective program budgets that reflect national priorities between Regions at less than full LMP funding while recognizing Regional equity and other managerial objectives.

(3) the budget allocation and execution processes with the objectives of improving our ability to carry through with decisions made during the program development processes, carry out congressional direction, implement our plans, and gain efficiency and consistency in achieving our agreed-upon objectives and targets.

We have completed our review and have developed proposed changes and recommendations for your consideration. The recommendations have been developed and reviewed over the course of the past year with support from Forest, Region, and Chief's Office personnel. We met six times and enlisted the support of a number of work groups to concentrate on the specific problems that were identified. The following six general ***Concepts for Change*** capture the major thrust of our final recommendations:

| |
|---|
| Increased Regional Foresters' Involvement in Decisions |
| Forest Plan Based Budget Proposals |
| Reduced Level Of Budget Detail |
| Opportunity for Changes in Budget Information |
| Consistency in Forest Plan Cost Data |
| Drop Support Cost Concept |

These concepts address a variety of opportunities and problems with the budget processes and are further developed in the following section. Our specific recommendations, found in the last section of this report, are in response to a series of problem statements identified by the team as being the central program development and budgeting issues to be resolved.

We believe these recommendations go a long way toward resolving the specific issues identified in your July 1989 letter. These recommendations are interdependent and will serve to make the existing budget process more responsive to Regional and national needs. Implementation of these recommendations will require a coordinated effort by the Regions and the national office.

## *CONCEPTS FOR CHANGE*

The following expands the six concepts for change and represent the central themes of the specific recommendations in the next section.

***Increased Regional Foresters' Involvement in Decisions***

Regional Foresters' involvement in budget decisions is critical in developing confidence in the budget process. Effective implementation of Forest Plans along with Service-wide program initiatives is only possible through full understanding and commitment of the top leadership team. The Regional Foresters' *personal* involvement as a team with Chief and Staff is recommended as follows: (*A*) setting of policy and constraint levels resulting in a clear statement of program budget direction and (*B*) participation in the final budget allocation.

***Forest Plan Based Budget Proposals***

Forest Plan based budget proposals recognize the importance of maintaining balance between resource programs. Communicate the importance of this tie between plans and budgets in Agency budget requests, in Congressional hearings, in annual reports to Congress, and in reports to Forest users.

***Reduced Level of Budget Detail***

Reducing budget detail is consistent with end-results budgeting and limits detailed planning to field level. Expanded budget line item detail provided to the Chief's Office is consistent with the information used for alternative development and budget allocations. Reduction of detail will be more time efficient and emphasize alternative development at the national level.

***Opportunity for Changes in Budget Information***

Regional Foresters need the opportunity to request adjustments of funds and/or targets when significant events occur after submission of program budget proposals. The criteria for such requests are: (*A*) the occurence was unforseen when the program budget proposal was submitted; (*B*) the Region cannot logically be expected to absorb the impacts; and (*C*) the Regional Forester is willing to personally present the changed condition to the Chief. If agreed to by the Chief, the changes would be reflected in the initial allocation.

***Consistency in Forest Plan Cost Data***

It is important that costing criteria are consistent across Forest Plans since they will be the basis for budget development. A technical, interdisciplinary team with management participation should be assembled to develop these Forest Plan cost criteria.

***Drop Support Cost Concept***

GAO has consistently encouraged the Forest Service to charge as worked. In response, the Forest Service should explore with Congress the feasibility of dropping the support cost concept, and funding and charging directly to the benefitting program. Current methods of using and applying Timber Support concepts create credibility problems and accounting confusion both inside and outside the organization.

## PROBLEM STATEMENTS AND RECOMMENDATIONS

## PROBLEM 1: UNEXPLAINED DIFFERENCES

***Problem Statement:*** Unexplained differences in program development proposals and allocations are causing perceptions of inequity. Perceptions of inequity between proposals and allocations have been identified in funding such things as national initiatives, timber support, and noncommodity resources. The rationale for these differences is neither well defined nor understood.

***Initial Recommendation:*** Modify the "ten step budget" process to focus on the identification of issues and the formulation of policy rather than on the collection of data. (*1*) Specifically provide an opportunity for Regional Foresters to participate as a team in (*a*) providing input to issues and policy direction for coming budget year in conjunction with setting Regional constraints and (*b*) the final budget decisions prior to final allocation. (2) Limit field data requirements to expanded budget line item (BLI) level and emphasize data validation as a field responsibility. (*3*) Allocate the budget consistent with Regional Budget submissions.

***Rationale:*** This recommendation focuses on issue and policy decisions with Regional Forester involvement rather than on detailed data collection in the formulation phase. With Regional Forester participation in the budget allocation process and the recommended allocation direction, there is opportunity to resolve unexplained differences before final decisions are made. Reducing the collection of field data to expanded BLIs will result in less work and less wasted effort.

***Summary of Concerns:*** *

- Regional Forester involvement at final budget not effective
- Expanded budget line items may be insufficient in some instances--specifically, Engineering ROADS data is needed

***Response to Concerns:***

The Team feels that Regional Forester involvement is designed to gain understanding of the final allocation, provide input to special projects and national programs, and build commitment to the final allocation.

The Team feels that collection of expanded BLI is valid. A possible exception might be the Engineering data collected in the ROADS report. We suggest a review of the ROADS report with the intent of reducing it to expanded BLI level and adjusting the timing of submission of additional detail.

***FINAL RECOMMENDATION:*** **Modify the "ten step budget" process to focus on the identification of issues and the formulation of policy rather than on the collection of data. (*1*) Specifically provide an opportunity for Regional Foresters to participate as a team in (*a*) providing input to issues and policy direction for coming budget year in conjunction with setting Regional constraints and (*b*) the final budget decisions prior to final allocation. (*2*) Limit field data requirements to expanded BLI level, with the possible exception of Engineering data collected in the ROADS report, and emphasize data validation as a field responsibility. (*3*) Allocate the budget consistent with Regional Budget submissions.**

* Summary of WO and field concerns about initial recommendations

## PROBLEM 2: CONSTRAINED FUNDING EQUITY

***Problem Statement:*** An equitable process for determining Regional shares of the national constrained budget is needed. The method used must reflect an acceptable distribution among Regions based on national issues and Forest Land Management Plans.

***Initial Recommendation:*** Beginning with the FY 1993 program budget instructions, the Chief's Office will provide Regional Foresters an analysis of data for allocation of constraints. Regional Foresters will review and either concur or initiate further actions.

***Rationale:*** It was determined that most of the analysis recommended by the work group is being done by the Chief's Office but not shared with the field. This recommendation will eliminate the problem.

***Summary of Concerns:***

- Analysis should include total funds available not just constrained dollars

***Response to Concerns:***

The Team agrees that Regional Foresters should be provided an analysis that includes unconstrained funds.

***FINAL RECOMMENDATION:*** **Beginning with the FY 1993 program budget instructions, Chief's Office will provide Regional Foresters an analysis of data for allocation of constraints. Regional Foresters will review and either concur or initiate further actions.**

## PROBLEM 3: EFFECTS OF PROGRAM CONSTRAINTS

***Problem Statement:*** When both dollar and timber volume target constraints are set by the Chief for program budget levels, it may not be possible to accurately request a balanced and coordinated mix of resource activities to implement Forest Plans at rates less than 100 percent.

***Initial Recommendation:*** Regions submit 5 budget levels. Levels 2, 3, and 4 have two alternatives. One would be with both dollar and a timber constraint, the other would be developed without timber constraints but with the same dollar constraint. The first level would be a percentage of the President's Budget without target constraints, and the fifth level would represent full implementation of Forest Land Management Plans. This recommendation is contingent upon collecting field data at expanded BLI level of detail. Regions would be responsible to validate their own data.

***Rationale:*** The FY 1991 budget process used a 3 and 3A alternative to allow Regions to show the impacts of reaching a timber target at a constrained budget level. This provides the opportunity to display a balanced program based on Forest Plans. The team felt that allowing paired alternatives at levels 2, 3 and 4 would further alleviate the problems caused by having both target and budget constraints. The development of several paired alternatives would be facilitated by reducing the level of budget detail for budget development to expanded BLIs. The team further felt that developing 5 levels would be easier than developing the incremental/level approach proposed by the work group.

***Summary of Concerns:***

- Eight alternatives are too many
- Some felt that assigning timber targets causes program imbalance, while others felt that not assigning timber targets causes program imbalance among Regions
- WO should validate data

***Response to Concerns:***

The Team feels that current recommendation is valid for FY 1993 program planning and development. We agree with the desire to drop timber targets and look at reducing the number of program planning levels in the critique of the FY 1993 process. Changes underway that may facilitate reducing the number of levels include: consistent costing, Regional Forester involvement in budget process, All-Resources Reporting, and the land management planning critique. We reinforce our recommendation that Regions should validate their own data.

***FINAL RECOMMENDATION:*** **For FY 1993 program planning and development, Regions submit 5 budget levels. Levels 2, 3, and 4 have two alternatives. One would be with both dollar and a timber constraint; the other would be developed without timber constraints but with the same dollar constraint. The first level would be a percentage of the President's Budget without target constraints and the fifth level would represent full implementation of Forest Land Management Plans. This recommendation is contingent upon collecting field data at expanded BLI level of detail and reducing the number of program planning levels in the future. Regions would be responsible for validating their own data.**

## PROBLEM 4: FUNDING FLEXIBILITY

***Problem Statement:*** Changing conditions or priorities pose the need to modify Forest Plan implementation costs. The present budget process does not provide the flexibility for accommodating these rapid changes. A process for dealing with significant changes is needed.

***Initial Recommendation:*** Regions will have the opportunity to submit a "Changed Conditions Report" on January 1 each year. Criteria for a changed condition are: (*A*) Events must be significant and unforeseen in the sense that a Region cannot logically be expected to absorb the budget impacts, and (*B*) The Regional Forester is willing to personally present the changed condition to the Chief. If agreed to by the Chief, the changes would be reflected in the initial allocation. Examples of occurences which could trigger such requests include changes in land base, legislation, regulations, major Forest Plan amendments or revisions, or natural disasters.

***Rationale:*** There is a need for a process to deal with significantly changed conditions. This recommendation provides an opportunity for the Regions to update 12-month old budget information prior to initial allocation.

***Summary of Concerns:***

- Additional step more lengthy and time consuming
- Too late to be of use--Changed Condition Report should be 4-6 weeks earlier
- Clarification of what is needed for update

***Response to Concerns:***

The Team does not propose a change to the data base, but rather afford the opportunity for Regional Foresters to personally present a changed condition to the Chief. Since there is no data base change, the recommended date of January 1 is appropriate.

***FINAL RECOMMENDATION:*** **Regions will have the opportunity to submit a "Changed Conditions Report" on January 1 each year. Criteria for a changed condition are: (*A*) Events must be significant and unforeseen in the sense that a Region cannot logically be expected to absorb the budget impacts, and (*B*) The Regional Forester is willing to personally present the changed condition to the Chief. If agreed to by the Chief, the changes would be reflected in the initial allocation. Examples of occurences which could trigger such requests include changes in land base, legislation, regulations, major Forest Plan amendments or revisions, or natural disasters.**

## PROBLEM 5: NEED FOR TIMBER SUPPORT

***Problem Statement:*** Current methods of using and applying Timber Support (ET113) concepts create credibility problems and accounting confusion both inside and outside the organization.

***Initial Recommendation:*** Drop the support cost concept and charge directly to the benefitting fund. Create a report from national Finance Center that displays resource specialist time and expense. If this report is not feasible, track support expenses through accounting codes.

***Rationale:*** Current method is unreliable and confusing. The proposed method will be cheaper and easier to develop budgets and accounts for the expenditures by reducing the coding structure. This will also reduce the confusion between TSPIRS and the program planning and development process. The process still retains the ability to charge as worked, and to capture true costs, without having to use extra codes.

***Summary of Concerns:***

- Who will control funds and how do we maintain integration?
- How do we respond to Congress and interest groups?
- Tie to All-Resources Reporting (ARR)
- Control versus integration
- Need adequate reporting of support costs
- Increased perception of program imbalance
- Not sure that the backup proposal would simplify coding
- Not currently possible to utilize NFC data base

***Response to Concerns:***

GAO has consistently encouraged the Forest Service to charge as worked. The Team believes strongly the Forest Service should jointly explore with Congress the feasibility of implementing the recommendation as proposed. We believe it supports other efforts currently being advanced, such as All-Resources Reporting and End-Results Budgeting. We will rewrite the recommendation to add clarity.

***FINAL RECOMMENDATION:*** **Drop the support cost concept and fund and charge directly to the benefitting program. If it is necessary in discussions with Congress to track support costs, then put an identifier on the program budget line item.**

## PROBLEM 6: ROLE AND USE OF FOREST LAND MANAGEMENT PLANS

***Problem Statement:*** The way in which the Chief's Office uses input to develop national budget proposals is not understood. Of particular concern is the role and use of Forest Land Management Plan (FLMP) data.

***Initial Recommendation:*** Base budget proposals on Forest Plans and recognizing the importance of maintaining balance between resource programs. Recommendations under Problem Statements 2, 3 and 8 have addressed the budget development processes. Additionally, Explanatory Notes and the Annual Report of the Forest Service should focus emphasis on the role of Forest Plans.

***Rationale:*** We need to communicate the importance of this tie to Forest Plans at each step in the budget process.

***Summary of Concerns:***

- Recommendation not strong enough to ensure integration during allocation
- Explain "balance between resource programs"

***Response to Concerns:***

Balance between resource programs is achieved with an appropriate integrated program mix described in the Forest Plan at all program planning levels.

***FINAL RECOMMENDATION:*** **Base budget proposals on Forest Plans, recognizing the importance of an appropriate integrated program mix described in the Forest Plan at all program planning levels. Recommendations under Problem Statements 2, 3 and 8 have addressed the budget development processes. Additionally, Explanatory Notes and the Annual Report of the Forest Service should focus emphasis on the role of Forest Plans.**

## PROBLEM 7: PROGRAM INTEGRATION

***Problem Statement:*** The communication of data and information for decisionmaking within NFS program development has become unnecessarily channeled into functional budgeting. Program development and allocation is lacking sufficient line officer involvement in decisionmaking. Integration, balance, understanding, and perhaps soundness of decisions are being compromised.

***Initial Recommendation:*** Recommendations under problem statements 1, 3, and 8 would improve this situation. They include: Regional Forester involvement in budget direction and decisions, Plan-based budget proposals, reduced level of detail, and consistency in long-term Plan data.

***Rationale:*** The team believes that the problem statement identifies a significant problem. With the recommendations made in other problem statements, this situation would be adequately resolved.

***Summary of Concerns:***

- Recommendation does not go far enough to ensure program integration

***Response to Concerns:***

We believe our problem statement recommendations will build better program integration and trust.

***FINAL RECOMMENDATION:*** **Recommendations under problem statements 1, 3, and 8 will improve this situation. They include: Regional Forester involvement in budget direction and decisions, Plan-based budget proposals, reduced level of detail, and consistency in long-term Plan data.**

## PROBLEM 8: CONSISTENT COSTING CRITERIA

***Problem Statement:*** National criteria to guide consistent costing of individual Forest Plans is nonexistent. Without this criteria a balanced overall program for all the National Forests does not exist. Some Forests were conservative in costing Forest Plans while others were not. Forest Plans are not comparable without standardized definitions of unit cost components and alternative funding levels.

***Initial Recommendation:*** As recommended in Problem 1, Regional Foresters' involvement in the budget cycle should occur at two points: (*A*) as part of the Chief's team that establishes Regional budget constraints and program budget emphasis, and (*B*) prior to allocation of final budget to Regions. Assemble a technical, interdisciplinary team with management participation to develop consistent costing criteria by December 1990. This effort should also identify cost factors not directly associated with direct Forest Plan implementation. The PD&B Review Team will guide the development of the national costing criteria, the identification of cost factors, and make the final recommendations to the Chief.

***Rationale:*** Both the short- and long-term recommendations are necessary to resolve this problem. Personal Regional Forester involvement, understanding and commitment to national and regional priorities is a critical component of an improved budget development and allocation process. At the same time, it is imperative to focus on improving the consistent costing of Forest Plan based budget proposals.

Summary of Concerns:

- How do we do this?
- Could reduce Regional flexibility
- Costing is not the only consistency issue
- Time frame not realistic

***Response to Concerns:***

We recognize it will be a critical task that must assume an interdisciplinary, multi-level approach. We have identified skills needed for the Consistent Costing Criteria Team members and will ask for nominees from each Region and three key staff groups in the Chief's Office.

***FINAL RECOMMENDATION:*** **As recommended in Problem 1, Regional Foresters' involvement in the budget cycle should occur at two points: (*A*) as part of the Chief's team that establishes Regional budget constraints and program budget emphasis, and (*B*) prior to allocation of final budget to Regions. Assemble a technical, interdisciplinary team with management participation to develop consistent costing criteria by December 1990. This effort should also identify cost factors not directly associated with direct Forest Plan implementation. The PD&B Review Team will guide the development of the national costing criteria, identify cost factors, and make the final recommendations to the Chief. We recommend that each Region nominate at least 3 individuals in the categories below. The PD&B Review Team will select 1 representative from each Region.**

**Economist**
**Forest Planner**
**Forest Supervisor**
**District Ranger**
**Regional PD&B Director**
**Regional Program Development Officer**
**Resource Director**

**In addition, we recommend that representatives be nominated from each of the following Chief's Office Staff Groups: LMP, F&PS, and PD&B.**

## PROBLEM 9: LINE ITEM STRUCTURE

***Problem Statement:*** The complex line item structure of the Forest Service budget is causing an undue amount of work and wasted effort.

***Initial Recommendation:*** Continue the End-Results Budgeting initiative. Continue to (*A*) gain continued use of funds for 2 years; (*B*) aggregation of budget line items in the allocation processes; (*C*) placement of emphasis of oversight on target accomplishments; and (*D*) development of budgets on a biennial schedule. Continue to provide the level of budget and accounting detail needed to satisfy reporting requirements.

***Rationale:*** This initiative simplifies certain aspects of the budget process and complements other recommendations of the review team.

***Summary of Concerns:***

- Maintaining consistency with existing accounting codes
- Review findings in light of All-Resources Reporting
- Need for outside concurrence

***Response to Concerns:***

The recommendations will not preclude Regions using the data bases they have built for their use in decisionmaking.

***FINAL RECOMMENDATION:*** **Continue the End-Results Budgeting initiative. Continue to (*A*) gain continued use of funds for 2-years; (*B*) aggregation of budget line items in the allocation processes; (*C*) placement of emphasis of oversight on target accomplishments; and (*D*) development of budgets on a biennial schedule. Continue to provide the level of budget and accounting detail needed to satisfy reporting requirements.**

## SUMMARY OF RECOMMENDATIONS

| PROBLEM | RECOMMENDATIONS |
|---|---|
| 1 | • Regional Foresters provide input to issues and policy direction |
| | • Regional Foresters provide input to final budget allocation decisions |
| | • Limit field data to expanded BLI's |
| | • Allocate budget consistent with Regional budget submissions |
| 2 | • Chief's Office provide to Regional Foresters an analysis of data for constraints allocation |
| 3 | • Regions submit five budget levels; middle three levels have an alternative with timber constraints |
| | • Regions are responsible for validating their own data |
| 4 | • Regions have opportunity to submit a "Changed Conditions Report" |
| 5 | • Drop the support cost concept and fund and charge directly to the benefitting program |
| | • If necessary to track support costs, put an identifier on the program budget line item |
| 6 | • Base budget proposals on Forest Plans by carrying out recommendations to resolve Problems 2, 3 and 8 |
| | • Emphasize role of Forest Plans in Explanatory Notes and the Annual Report |
| 7 | • Improve program integration by carrying out recommendations to resolve Problems 1, 3 and 8 |
| 8 | • Assemble a technical, interdisciplinary team under guidance of PD&B Review Team to develop consistent costing criteria for Plans and identify other cost factors |
| | • Deal with inconsistent costing in short-term by carrying out first two recommendations to resolve Problem 1 |
| 9 | • Continue End-Results Budgeting Initiative |
| | • Continue to provide level of budget and accounting detail needed to satisfy reporting requirements |

# APPENDICES

for

# FINAL REPORT

# NATIONAL PROGRAM DEVELOPMENT AND BUDGETING

# REVIEW TEAM

## APPENDIX A

## WORK GROUP ASSIGNMENTS

| WORK GROUP LEADER | WORK GROUP MEMBERS | PROBLEM STATEMENTS |
|---|---|---|
| R5 Robin Thompson | R2 Tom Ryan<br>R4 Bob Larkin<br>R8 Gloria Manning<br>R10 Rod Smith | 1: Unexplained Differences<br>6: Role and Use of FLMP |
| R8 Ron Strauss | R1 Mary Peterson<br>R4 Brian Stout<br>R6 Chad Olsen<br>R10 Laura Nelson | 2: Constrained Funding Equity<br>3: Effects of Program Constraints<br>4: Constrained Funding Flexibility |
| R3 Alon Carter | R1 Tom Rhode<br>R2 Bill Sexton<br>R5 Judy Green<br>R6 Ron Johnson | 5: Need for Timber Support<br>7: Program Integration |
| R9 Don Meyer | R3 Larry Medlock<br>R4 Jack McDonald<br>R5 Joe Astleford<br>R6 Terry Solberg<br>R9 Bill Ely | 8: Consistent Costing Criteria |
| WO John Skinner | WO Bob Birnstengel<br>WO Lew Manhart<br>WO Larry Gadt | 9: Line Item Structure |

## APPENDIX B

## WORK GROUP EXECUTIVE SUMMARIES

Note: Entire Work Group Reports are available from G.LUNDY:R09A

## EXECUTIVE SUMMARY

### PROBLEM STATEMENT 1: UNEXPLAINED DIFFERENCES

The groups approach in reviewing this problem statement was first to acknowledge that "perceptions of inequity" are always going to exist. When funding falls short of amounts requested, our first instinct is to look and see who got and who didn't. Unfortunately, this review is often just to look at the numbers, without consideration for the environment (political or otherwise) under which they were developed. We need to recognize that numbers alone will never tell the story and remember that one set of numbers can and will be be widely interpreted.

Outside influences must be acknowledged, understood, and accepted as a part of our allocation process. More importantly, we recognized that even acceptance and understanding of these "other influences" will not take away perceptions of inequity, because that perception is primarily caused by our internal process for budget development and allocation.

It is our internal process that we chose to focus on.

Internal factors contributing to this perception include:

1) A process that has become too cumbersome to be trackable.

2) A process that collects too much data to be meaningful (much time is spent collecting all the pieces, with little time allowed to analyze what it really means).

3) A budget cycle that is no longer practical. Receiving a timely appropriation (October 1) is rarely going to happen, thus, our cycle needs to be revised to be one that accommodates when information will really be available, and not one centered around when it is suppose to be available.

4) A "black hole" that exists as information moves up the ladder. The biggest factor contributing to perceptions of inequity is lack of understanding of the budget process. This is especially true of the role of the budget teams--both Regional & national. Because their roles and responsibilities are not documented and have not been clearly articulated, they are not understood. Budget allocations are perceived to be more a factor of how strong an individual member of the budget team may be, rather than on what the program budget data is calling for.

All of these situations tend to lead many in the organization to express consternation in trying to deal effectively with the budgeting process.

Our recommendations focus on ways of improving our current internal process (minimum required changes) as well as suggested changes for revising the budget development/allocation process.

And finally, we feel our recommendations are in total alignment with the Chief's current direction (management philosophy) on producing results. "Focus work efforts on the results to be achieved; processes for attaining results are secondary."

## EXECUTIVE SUMMARY

## PROBLEM STATEMENT 2: CONSTRAINED FUNDING EQUITY

A variety of methods have been used to distribute funding constraints to Regions in past Program Budget development exercises. Now that most Forests have approved Forest Plans, the national program budget process should help to facilitate the implementation of those Plans. Since current funding generally provides for less than full FLMP implementation needs, we need to develop an equitable process for determining Regional shares of national funding constraints at levels below full FLMP funding needs. The method used must reflect an acceptable distribution among Regions while considering national issues and priorities.

Four primary alternatives were developed to address the issue of constrained funding equity:

1. Regional distribution as a percent of historical budgets.

2. Regional distribution as a percent of national FLMP funding needs.

3. Regional distribution as a percent of national FLMP workload as adjusted for Regional management and leadership complexity.

4. Regional distribution as a percent of national FLMP funding needs as determined from a set of program indicator outputs and recent unit costs.

Alternative 4 was the Group's preliminary recommended alternative. This was based primarily on the assumption that Forest Supervisors seemed more comfortable with the outputs than the total indicated funding in their FLMPs. However, after further review and analysis subsequent to the final Group meeting, and after discussing the alternatives with various WO and Regional Staff, the Workgroup Leader determined that Alternative 2 offered a more logical choice. Alternative 2 is the final recommended alternative.

Alternative 2 offers a simple and straightforward method of distributing Regional program budget funding constraints based on FLMP funding needs as indicated in the most recent "Congressional" data base. A Regional/WO Ad Hoc Team should be used to analyze the data base, identify and resolve apparent anomalies, and recommend adjustments prior to developing the final split among Regions. This process could be implemented in the FY93 Program Budget process.

## EXECUTIVE SUMMARY

### PROBLEM STATEMENT 3: EFFECTS OF PROGRAM CONSTRAINTS

For the FY 91 and 92 Program Budgets, dollar constraints were assigned at the Starting Point and other levels, along with timber volume targets at level 3. In order to meet the timber targets at level 3, some units had to reduce resource activities in other program areas. It was not possible to implement a mix of activities that would achieve balanced Forest Plan implementation while producing the assigned timber targets within the dollar constraints at this budget level. In addition, the very presence of the timber harvest constraint may imply that "timber is the most important resource target that must be met, and other resource needs can be sacrificed as needed to meet that target." With the current emphasis on trying to achieve balanced implementation of Forest Plans for all resources, having both a dollar and a timber volume target constraint at a given level does not appear to enable the field to accurately request a balanced and coordinated mix of resource activities to carry out the intent of our Forest Plans and to meet resource management expectations of the public.

Five program budget development alternatives were developed to address the issue of program constraints:

1. Dollar and Timber Target Constraints (Status Quo).

1a. Dollar and Multiple Target Constraints.

2. Level Building. No Target Constraints. RF's suggest program balance for each specified level. Chief selects level for each Region.

3. Increment Building. No Target Constraints. RF's determine program mix for the base level and describe dollar needs and outputs for each program increment. Chief selects increments for each program area for each Region.

4. Increment/Level Building. No Target Constraints. RF's recommend priorities within and between programs for each specified budget level above the base. Chief selects increments/levels for each Region.

Alternative 4 is the recommended alternative.

In this alternative, the base level program budget is based on a specified percentage of the budget required to achieve 100 percent of the average annual FLMP outputs. Regions then develop and rank program increments and recommend a program mix for each specified budget level. The Chief selects program increments and program mixes for each Region.

This alternative is preferred because it provides Regions the opportunity to describe their priorities within and between program areas while providing some degree of flexibility to the Chief to make adjustments to meet national priorities. It provides an easily understood format for displaying the differences between Regional requests and final allocations. Basing program budget development on balanced implementation of Forest Plans should provide commitment from the Regional Foresters to the process. The process could be implemented in preparing the FY 93 program budget.

## EXECUTIVE SUMMARY

## PROBLEM STATEMENT 4: CONSTRAINED FUNDING FLEXIBILITY

There is no clearly defined opportunity in the current PD&B process for Regions to formally notify the Chief of significant changes in FLMPs so that these changes may be reflected in program budget constraints and budget allocations.

Four alternatives were developed to address the issue of constrained funding flexibility. All call for the use of a "Changed Conditions Report" as a vehicle for Regions to feed information to the Chief. Variance among these alternatives lies in timing, emphasis and effort required to generate additional information. The 4 alternatives are:

1. Regions submit a "Changed Conditions Report" in July of each year, primarily to serve as a basis for determining program budget funding constraints. No formal emphasis is given to providing information or using this report to influence Initial budget allocations for the coming fiscal year.

2. Regions submit a "Changed Conditions Report" in July of each year. This report would be used by the WO as a basis for determining program budget funding constraints and to adjust Initial budget allocations for the coming fiscal year.

3. Regions submit a "Changed Conditions Report" in July and update it in November each year. Though this accomplishes the same basic end result as Alternative 2, it would (1) provide the most current information for the process of allocating the Initial Budget in the execution phase of the PD&B process, and (2) require the extra effort and cost of updating the previous report.

4. Regions submit a "Changed Conditions Report" in November of each year. This report would be used by the WO to adjust Initial budget allocations for the coming fiscal year. No formal emphasis is given to providing information or using this report to influence program budget funding constraints.

Alternative 2 is the recommended Alternative.

Alternative 2 responds to the concern expressed in the Problem Statement, and has the added appeal of providing Regional Foresters an additional opportunity to receive consideration during the budget allocation process. The intent is not to require a report, but rather to define a process that provides the opportunity to submit one. It is not the intent of this alternative to permit Regions to submit minor changes that could or should be dealt with by Regional Foresters. Unless requests clearly fit the criteria described in Section Three of this report, they would not be treated as "significant changes. "The opportunity to influence allocations is meant to simply influence the "mix" of dollars provided by the WO, not an expectation of increasing total national dollars available. Although it would certainly be a "squeeze," this process could be made available for use in the FY93 program budget process.

Region 4 has used the "Changed Conditions Report" approach to building more flexibility as well as equity into their budgeting program for some time. There may be some opportunity for the WO to build on Region 4's concepts.

## EXECUTIVE SUMMARY

### PROBLEM STATEMENT 5: NEED FOR TIMBER SUPPORT

Current methods of using and applying Timber Support (ET113) concepts create creditability problems and accounting confusion both inside and outside the organization

Fifteen to twenty alternatives were generated and these were then synthesized, combined, distilled, and refined down to three. They are:

**Alternative 1: Drop the the support cost concept from all budget and accounting systems.**

**Alternative 2: Use report from NFC that displays resource specialist time and expenses to the timber system. Verify this data by conducting a detailed, unbiased sample of support costs. Eliminate allocations of other resource line item funding to the timber program.**

**Alternative 3: Continue current approach but increase training, oversight, compliance, and monitoring.**

The recommendation is Alternative 2. The rationale for selecting Alternative 2 is that the current process is unreliable, that there are inexpensive ways of estimating support, and that the organization still needs show to the public its integrated approach to timber harvesting. Alternative 2 will require that all specialists charge as worked. A computer report will be run by each unit at the end of the year. This report will show by specialist job series how much time in hours and dollars is expended to the timber budget line item (or activity if preferred.) This same report run on national totals could be used directly in the Forest Service annual report. It could also be used by PD&B for estimating support needs shown in the explanatory notes for upcoming fiscal year planning and harvest levels. All of this can be done with existing data and existing coding--**there is no field impact.** For a check on this data, Alternative 2 calls for a team to be set up nationally to study, on a sample basis, some select units to verify and or correct the data collected through the financial system. This could be done periodically, or perhaps only once if confidence is verified. This alternative calls for eliminating allocations of support funds to the timber system. The alternative is low cost to do, it does show support and integrated resource management, it is accurate, and it reduces field level impacts and administrative burden.

Examining the actual use of timber support shows that its use is currently, in fact, inconsistent between Regions and Forests. Its use is also inconsistent over time for any one individual organizational unit. It is currently a collection of numbers that we expect to have utility, but, it is in fact, a process aggregating unreliable data; a process that most agree is costly and confusing.

## EXECUTIVE SUMMARY

## PROBLEM STATEMENT 6: ROLE & USE OF FOREST LAND MANAGEMENT PLANS (FLMP)

Forest Plans must maintain budget linkage. Not only is it the legal requirement, but it is our foremost tool for assuring a document that is a realistic management strategy. A historic look at RPA gives us an indication of the fate of a document without budget linkage. The document loses its relevancy and can become a paper exercise. The Forest Planning process has developed a meaningful strategy for our publics as well as our internal organization. It will serve the organization well to leave that commitment in tact.

The concern of how to make that linkage when the plan is based on (1) a ten year schedule and (2) was formulated with suspect or at least outdated data has to be addressed.

Forest Plans were to be developed using the best available data and were to addressed the desired future for the Forest. Both could easily lead to outdated data (best available) and a question of whether the figures projected are realistic. In addition, plans were developed displaying ten year programs. The budgets accompanying the plans were developed under this framework. There are, however, additional responsibilities which allow mechanisms for addressing these concerns.

Plans shall...(NFMA (Sec.6(f)(4)) "be amended in any manner whatsoever after final adoption after public notice, and, if such amendment would result in a significant change in such plan, in accordance with the provisions of subsections (e) and (f)..and public involvement comparable to that required by subsection (d)...

The Forest Service translation of this section into regulations has resulted in a relatively cumbersome amendment process for Forest Plans which needs revising. Forest Plans were intended to be dynamic, requiring numerous changes. This process need not require a begin again connotation. With this instituted, budgets that accompany Forest Plans need not be unrealistic. Forest are presently required to monitor the cost of Forest Plan implementation in relationship to the projected cost. This information easily lends itself to amendments/changes to the plan or the projects.

The 10 year increments for Forest Plan versus the annual nature of budget does not negate the need for the linkage. While plans show estimates for achieving the plan activities, it is just that--an estimate for a 10 year time frame. The forest holds the responsibility of displaying how this is translated on an annual basis. However, this is still just an estimate. Budgets, too, are estimates--projections of what it takes to implement the strategy coming from the Forest Plan. The questions then becomes how to relate the two procedures.

We believe the proper tie between Forest Plans and budgets is to use Forest Plans data as a benchmark in analyzing program budget alternatives. The data from the Forest Plan would be the mix of programs--Forest Plans are integrated resources and are not functional programs.

Budgets would be viewed as levels of program mixes.

Each Forest would be required to look at what the historical costs has been to implement a level of the mix as required by the Forest Plan. An analysis would be done to determine what is needed to reach full implementation of that plan at that time in order to remain on schedule for completion of the 10 year program. Increments of this level would be cast as program budget submittals. This is viewed as plan implementation but it maybe at different implementation "rates". This is acceptable provided that the long term desired future condition is not hampered by the selected submittal.

It is essential that the integrity of the Forest Plan is maintained. Funding portions of management prescriptions violates, in most cases, this integrity. Forest Plans are interdisciplinary documents with multi-resource prescriptions. While the level of a particular target may be funded, care must be given that it is clearly understood that the level of program associated with this single resource must be equally funded. This then affects rate of implementation of the plan rather than an inherent change in the plan - desire future condition, management prescription.

While our recommendation is focused on the budget process, as noted above, many of the current views concerning land management plan amendments, much be changed if we are ever to acheive true linkage.

## EXECUTIVE SUMMARY

## PROBLEM STATEMENT 7: PROGRAM INTEGRATION

**Problem Statement:** Program development and allocation is lacking sufficient line officer involvement in decisionmaking. As a result, program integration, balance, commitment, and understanding are being significantly diminished.

About a dozen alternatives were developed. These were combined and/or edited down to five for discussion and evaluation. They are:

**Alternative 1: No Action - This alternative maintains status quo.**

**Alternative 2: Increased line officer involvement and direction in the programming process.**

**Alternative 3: Reorganize at all levels from a functional to a more integrated organization.**

**Alternative 4: Force all program development and allocation decisions to go through on staff group (PPB) and all budget coordinators in WO and RO work for one staff (PPB) which would coordinate with staff.**

**Alternative 5: Submit only one level of program budget data, that being Forest Plan level.**

The recommendation is Alternative 5. This recommendation is not a total solution. A complete solution **that is also implementable** is beyond the imagination of this work group. This problem has been with the organization in various forms for many years; the recommendation is nothing more than a marginal, incremental, change which is seen **as the right direction for improvement.** It is a recommendation that is both low cost and encourages discussions and evaluations for the total Forest Land Management Plan. Alternative 4 is a much more aggressive move towards solution; however, the disruptive nature of this alternative makes its feasibility much more tenuous. Increasing on the scale of infeasibility is alternative 3. Though perhaps feasible, it is far too radical to expect it to have a high probability of being implementable.

## EXECUTIVE SUMMARY

## PROBLEM STATEMENT 8 - CONSISTENT COSTING CRITERIA

New perspectives for managing the National Forest System lands is a special effort to bring focus and attention to changes in land stewardship. The purpose is to develop and demonstrate new, and old but still useful, approaches to managing lands and resources to fulfill the American people's needs and desires for a healthy, diverse, and productive National Forest System.

Conflict and debate over how the National Forests should be managed is at an all time high. As we look toward resolving a wide array of intense issues, Forest Plans are the cornerstone for embracing change, involving the public in decision making, shaping the future, and guiding the development of budgets.

The Forest Plans are being completed or implemented Forest Service-wide and are the primary guidance and direction under which balance in programs will come about. The high level of importance of the Forest Plans necessitates that a reliable level of consistent costing be developed or verified to ensure that the "contract" (Forest Plans) with the citizens of the United States is carried out in a defensible and responsible way.

In addressing the subject of costing Forest Plans to ensure balanced and consistency, seven implementable alternatives were developed. The alternatives are broad, spanning the full range of opportunity from no change to potential major revision in costing Forest Plans. For further detail refer to Section VI. The alternatives are:

- No Action (C);
- Base Program Plus (A);
- Negotiation (B);
- Management Review (Q);
- Leveling of Forest Plans (P);
- Analytical (I/J); and
- Future Recosting (N/K).

Our group's recommended alternative is a combination of several alternatives which provides a short-term and a long-term solution to the problem.

- Short term - Alternative B: Negotiation
  provides for leadership involvement of Chief, Deputy Chiefs of NFS and P&L, and Regional Foresters at key points in the budget cycle to ensure improved comfort level and consistent use of Forest Plan level information

- Long term - Alternative N/K: Future Recosting
  establishes a thorough analysis by a technical/interdisciplinary team to provide consistent costing criteria to be available in revision and major amendments of Forest Plans.

This combination of alternatives recognizes that there is not an easy, quick, quantitative fix to the complex development and use of Forest Plan cost data.

## EXECUTIVE SUMMARY

## PROBLEM STATEMENT 9: LINE ITEM STRUCTURE

The Forest Service annually receives funds from Congress in 50-70 specifically designated budget line items. The accounting complexity for the expenditures of these different funds is further compounded by the decentralized management structure of the agency. Each appropriation has its own purpose and spending restriction of laws enacted by Congress and carry with them specified restrictions concerning use and availability. Legally, we cannot spend more than is specified in each mainhead appropriation, and a laborious, time consuming process to reprogram dollars between funds within a mainhead is required. Yet, reprogramming needs are inherent in our work. Budgets are developed two years in advance of final Congressional appropriations. Needs frequently change in that time. These complications increase the temptation for the manager to overlook the need to "charge-as-worked," which results in costs that are not reflective of the true cost of program accomplishments.

In consideration of the Forest Service's proposed revision of its budget structure, Congressional appropriation committees have placed significant scheduling restrictions on the implementation of our proposals. Concerns they stated were:

- Achieving "charged-as-worked" rather than "as budgeted".
- "Identification of useful program output targets, and relating these targets to those in the land management plans."

Subsequently, the House Appropriation Subcommittee requested in a 1988 letter to GAO that FS and GAO are to cooperate in the development of an accounting system similar to TSPIRS for all resources. We were instructed that this system was to also support the implementation of End-Results Budgeting. Direction stated that this accounting system is "to be in place before major adjustment in budgeting and accountability can be agreed to."

Key Points of the End-Results Budgeting Proposal:

- o Change annual funds to two-year. Congress has granted on trial basis since FY 1988.
- o Reduce expanded budget line item in five primary mainhead appropriations from 73 to 9 budget line items.
- o Focus oversight on representative outputs or activities within appropriations.
- o Reprogram based on (1) significant changes in funds between the reduced budget line items within each appropriation or (2) significant under achievement of targets.
- o Change budget process to a biennial schedule.
- o Continue to provide budget detail as required by Explanatory Notes.
- o Provide accounting detail as identified in All-Resources Reporting.

## APPENDIX C

**United States Department of Agriculture** | **Forest Service** | **Washington Office** | **12th & Independence SW P.O. Box 96090 Washington, DC 20090-6090**

**Reply To:** 1900/1920/1930 **Date:** July 19, 1989

**Subject:** Planning and Budgeting

**To:** Regional Foresters, Station Directors, Area Director and Deputy Chiefs

As part of our efforts to improve efficiency and effectiveness, some Regional Foresters have proposed a review of our national program development and budgeting processes that are used for NFS programs. It has been several years since we last reviewed our processes and it seems timely that we undertake a new review. Particularly, since most Regions have or soon will have completed land management plans and one of our major objectives is to implement the plans through our program development and budgeting (PD&B) processes.

Since Forest Plans form the foundation for NFS program development and our objective is to fully fund the plans, it becomes imperative that we have equity between Forest Plans as a first step toward improving our program development processes. We also need to be sure that our PD&B processes serve us well.

Our review team will consist of a Deputy Regional Forester from each Region (to be selected by Regional Foresters). This will be a joint effort between NFS and P&L.

This team (see enclosed Charter) will conduct an indepth review of (1) the Regional financial schedules for fully funding the LMP plans or anticipated plans with the objective of "leveling" or gaining better equity between Regions for the financial schedules covering the period 1990 to 2000; (2) the program development processes (both procedural and managerial) with the objective of improving our ability to develop cost-effective program budgets that reflect yational priorities between Regions at less than full LMP funding while recognizing Regional equity and other managerial objectives; and (3) the budget allocation nd execution processes with the objectives of improving our ability to carry through with decisions made during the program development processes, carry out congressional direction, implement our plans, and gain efficiency and consistency in achieving our agreed upon objectives and targets.

This review and associated recommendations will be completed by July 1990 in order to be implemented for the FY 1993 program development process and the budget allocation and execution processes for the FY 1991 final appropriations.

/s/ Jeff M. Sirmon
for
F. DALE ROBERTSON
Chief

cc:
LMP PD&B
NFS Budget Coordinator

## PROGRAM DEVELOPMENT AND BUDGETING REVIEW TEAM CHARTER

1. To "level" or gain better equity among Regions for financial schedules that fund the land management plans for the period 1990 to 2000.

2. Propose changes and improvements in the program development process which will:

   Improve our ability to develop cost-effective program budgets that reflect national priorities among Regions at less than full LMP funding while recognizing Regional equity and other managerial objectives.

3. Propose changes and improvements in the budget allocation and execution processes which will:

   Improve our ability to carry through with decisions made during the program development process;

   Carry out Congressional direction'

   Implement our plans;

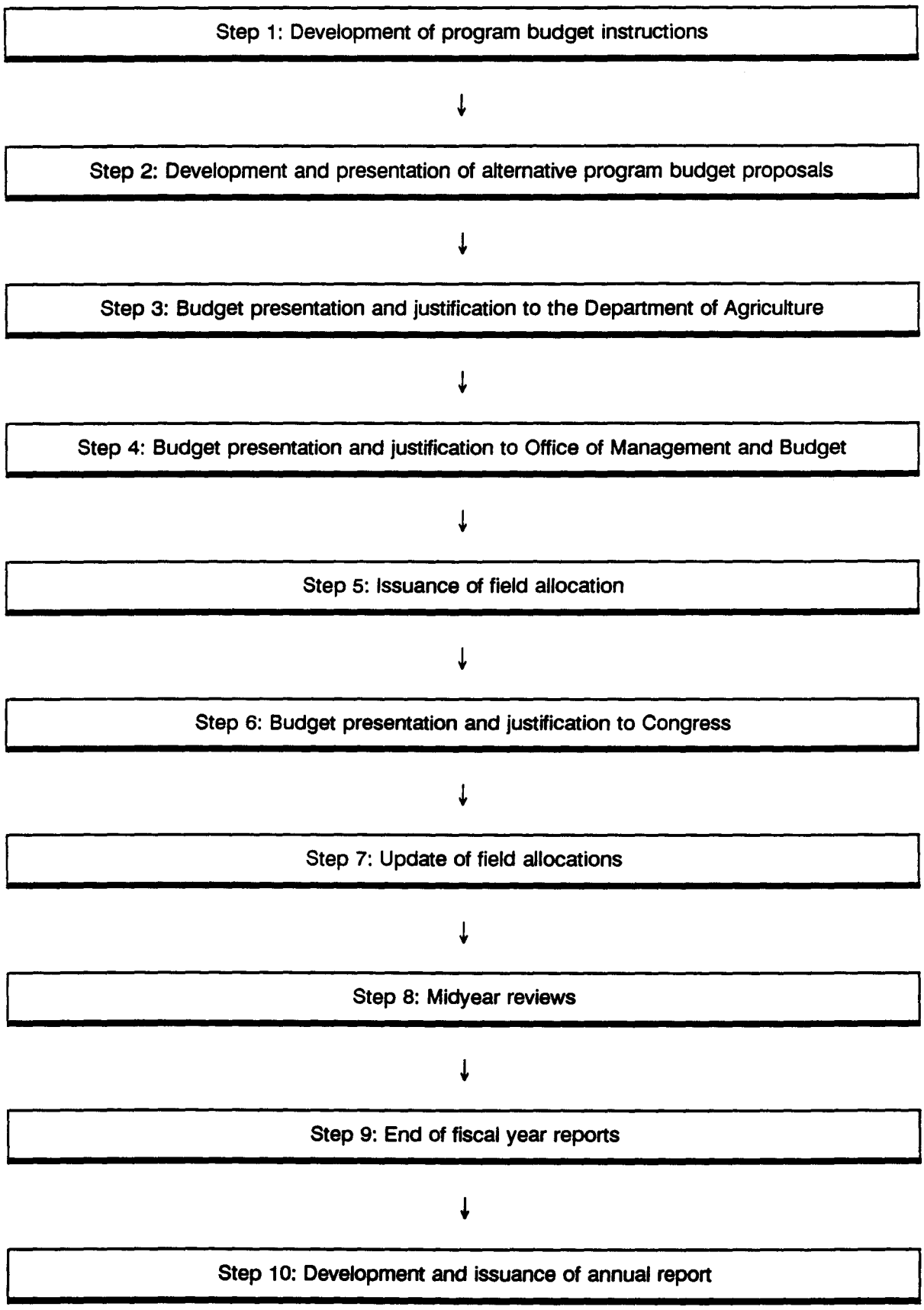
   Gain efficiency and consistency in achieving our agreed upon objectives and targets.

4. Propose any other changes that will enhance our planning and budgeting processes or improve efficiency and effectiveness.

**Result of PD&B Review Team Meeting in Portland, OR 11/29-30/89**

5. Develop consensus among Regional Foresters so that they can support a national NFS PD&B process.

## APPENDIX D
## TEN STEP BUDGET PROCESS


Step 1: Development of program budget instructions
Step 2: Development and presentation of alternative program budget proposals
Step 3: Budget presentation and justification to the Department of Agriculture
Step 4: Budget presentation and justification to Office of Management and Budget
Step 5: Issuance of field allocation
Step 6: Budget presentation and justification to Congress
Step 7: Update of field allocations
Step 8: Midyear reviews
Step 9: End of fiscal year reports
Step 10: Development and issuance of annual report